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MAY 28, 2003

COMMENTS TO THE UTAH OIL, GAS AND MINING BOARD

Basin Perlite Company is an industrial mineral company operating a perlite mine and plant in Milford, Utah. Basin purchased the Pearl Queen Perlite operation from the Gatten family in 1999. Since that time, Basin has doubled its sales each of the last three years and currently ships perlite products throughout the United States, Canada and Mexico. From eight employees in 2000 to more than twenty currently employed, the company provides quality jobs and significantly contributes to the economy in Beaver County, an economically depressed area. The third largest private-sector employer in the county, we also utilize Rollins Construction as our mining and hauling contractor who employees another five employees including shop work contracted to Rollins by Basin. Much of our operating supplies and local services are purchased in Beaver and Iron Counties. Total expenditures associated with Basin operation including UPRR freight exceed $5 million annually.

The reclamation permit for the mine has been revised twice since 1999 to accommodate increased operations and improve reclamation practices. The current bond of $133,600 has been in place since 2001. The most recent revision to provide for mining a larger area in our second open pit mine, the Schoo Pit was approved by the Division this month and Mr. Braxton and I will be signing the Reclamation Contract this afternoon. This last revision includes a Plan of Operation approved by the BLM.

Our bonding company Kemper has maintained our reclamation bond in a very difficult bond market. I won't dwell on why the bond market has become extremely costly and underwritings almost impossible to complete. However, the rules of the Division have presented our company with a potentially devastating dilemma. Initially the Kemper bond was rated A- but for several reasons the rating for our Kemper bond dropped for a brief time to C++. As recently as last week, all of the more than 25 Kemper bonding companies including American Manufacturers Mutual Insurance Company, the Basin bonding company, have a B+ rating. As you know, the rules require that the DOGM bonds be least an A-. However, in this bond market about the only mining companies that are successful in maintaining A- bonds or finding underwriting for A- bonds are coal companies with long-term contract. Virtually all other mining companies, including base metal, precious metal and industrial mineral companies are not considered preferred risk companies. In general, bonding companies see too many potential liabilities outside of the coal sector to consider underwriting the most non-coal mining companies. Two examples that have heard are in this category are Brush Beryllium and Kennecott right here in Utah.

The ironic part of the Basin situation is that we have a bond in place for the amount required by the Division. A rule written in a time when mine bonds were more readily available, now effective says that the Basin bond is longer valid. As a small private company, we are not in a position to set up a certificate of deposit for $133,600. We are investigating other options with the help of the Division However, if forced to place the certificate of deposit, Basin would be faced with going out of business. I urge you to review this rule and take into account the ever-changing bond market. I am not suggesting a C rating as this is abut as low as a bond rating can go. However, asked yourself, what is the difference between an A- rating a B+ rating. Is it worth splitting hairs over a definition at the cost of destroying a small mining company? Thank your for your time.

Bill Wilson
President
Basin Perlite Company

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